

Chapter Two: Development issues, Policies and strategies during the Imperial Regime of Haile Silassie I

2.1 Development planning Practices in Ethiopia: An Introduction

2.1. Modernization Projects of Haile Silassie from 1930-1941

Development projects in Ethiopia were influenced by Italian rule (1935-1941)
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Above all, Italian rule was distinguished for the achievement for which that people has always been famous: **road engineering**. This has often been somewhat overemphasized. To begin with, Italian road construction was more extensive and impressive in the northern than in the southern half of the country. This is not surprising, as Italian road-building was geared towards '**promoting the conquest of the country rather than its development**'. Moreover, the war of liberation was to take heavy toll of the road network, and the post-Liberation government was to be faced with the extremely daunting task of maintenance. All the same, the Italian network provided a skeleton for future expansion and betterment. Further, it gave an impetus to the **development of motor transport**. The defeated Italians left, behind a number of cars, trucks and skilled personnel, all of value to such post-Liberation enterprises as the **Public Transport Department**, ancestor of the government-controlled **Anbassa (Lion) Bus Transport** Company.

In the economic sphere, Italian rule, true to the Fascist ethos that permeated it, was **corporatist** in character. As a prelude to complete control of the economy, **a policy of weakening or destroying non -Italian expatriate firms was adopted**. Among the victims of this policy were the **Indian** and the **French** firms. Concurrently, the Italians set up a number of parastatal organizations in industry, commerce and agriculture. Three such organizations were created to realize their most ambitious programme -the settlement of Italian farmers as colonists in selected fertile areas of Ethiopia. This was considered essential not only to ease Italy's **demographic pressure**, particularly in the south, but also to make the colony self-sufficient, in line with the **Fascist principle of economic autarky**. It was even hoped that the colony would eventually develop to a position where it would be able to **feed the metropolis**. Three areas which were selected for colonial settlement were **Wagara** in Semen, **Charchar** in Harar, and **Jimma**.

In contrast to the expectations generated by the scheme, the returns were very disappointing. Far from feeding the metropolis, the colony could not even support itself. The main problem faced by the agrarian scheme was insecurity. The farmers lived under the constant threat of **attack by the patriots' guerrilla bands**. Settlers who had come with wild anticipations of fast in money ended up writing to their relatives back in Italy not to fall into the same trap. Thus, by the end of the period, only 10% of the projected colonization scheme had been implemented.

2.2 Development projects (1941- 1960s)

Development projects were influenced by the presence of united state of America particularly during the 1950s and 1960s.

Official contacts between Ethiopia and the United States of America go back to the arrival in **1903** of the **Skinner Mission**, named after the American envoy, Robert P. Skinner, and the subsequent signing of a treaty of friendship and commerce between Emperor Menilek and the American envoy. Yet, although American cotton goods had a fair share of the Ethiopian market, the tripartite domination of the Ethiopian diplomatic scene gave little room for the United States before 1935. It was after World War II that the Americans emerged into the foreground. The initiative for closer contacts came from the Ethiopian side, however. Distressed by the **stringent control exercised by the British** after the Liberation, the emperor sought the Americans as a counter weight.

As already described, the British had come to exercise administrative and fiscal control over the country incommensurate with the financial or military assistance they rendered. While grateful to them for giving him asylum and restoring him to the throne, the emperor became aware that the proper **reinstitution of his autocratic power** could only come about through tying Ethiopia's fate to the generous ally that the United States was expected to be.

The first official contacts between the two states were made in **1943**, during the visit to the United States of the then Vice-Minister of Finance, **Yelma Deressa**. **Ethiopian requests centered on military aid and the secondment of financial and legal experts**. The US response came in the form of **an extension of their Lend-Lease to Ethiopia and the sending of a technical mission in May 1944**. The latter, known as the **Fellows**

Mission (after its leader, Perry Fellows), could be said to have laid the groundwork for the subsequent American involvement in Ethiopia. Its recommendations, further elaborated in 1947, laid particular emphasis **on the development of infrastructure**. They became eventually concretized in the **Point Four Agreement** of 15th May 1952. One of the most conspicuous manifestations of the American presence in Ethiopia in the 1950s and 1960s, '**Point Four**', as the organization announced by Harry S. Truman in 1949, was **involved in agricultural and public health education, locust control, public administration training and the awarding of scholarships**.

For the Ethiopian government, the value of the United States **was not so much** in such issues of **development**, but the **diplomatic leverage** that the USA could exercise on the British, and in the military assistance likely to be offered. **In 1945, the emperor met President Franklin D. Roosevelt in Egypt, and discussed issues of Italian concern to Ethiopia at the time -Eritrea, the Ogaden and the railway.** But the Americans were not particularly keen about giving diplomatic support to Ethiopia's territorial claims, or about offering the military assistance that the Ethiopian government so persistently and ardently requested.

The year 1950 may be regarded as a **turning-point** in this respect. **The Egyptian revolution of 1952 forced on Washington a rethinking of its alignments in the Middle East and the Red Sea.** These developments formed the background for the **Ethio-US Treaty of 1953**, which defined the relationship between the two countries in the following decades. In return for continued use of the **communications base** in Asmara, renamed **Qagnaw** to commemorate the first Ethiopian battalion which fought as part of the United Nations forces on the American side in Korea between 1950 and 1953, the United States undertook **to launch a military aid programme**. A unit called the **Military Assistance Advisory Group (MAAG)** was set up to train three divisions, each of 60,000 men, at a cost of 5 million US dollars. The US made further commitments to military assistance in subsequent years. By 1970, Ethiopia had come to absorb some **60% of US military aid** to the horn of Africa.

The 1950s and 1960s might therefore justifiably be described as the American era, as far as Ethiopia's international alignment is concerned. The American impact was felt

in many facets of Ethiopian life, but perhaps most conspicuously in the spheres of **military organization, communications and education.**

- In the **military sphere**, American influence was at the outset concentrated on the army. In time, however, other units of the armed forces, **initially entrusted to non-American advisers, also came under American control.** Such was the case with **the air force and the navy**, at first under **Swedish and Norwegian** direction, respectively. Even the Haile Sellassie I Military Academy of Harar, modelled after Sandhurst, the British military academy, and run by British-trained Indians, obtained American advice and assistance. **The police force and the Imperial Bodyguard were perhaps the two units least affected by the American presence, the former being trained and equipped mainly by Germans and Israelis, the Bodyguard by Swedes.** Yet it was the Bodyguard which supplied the men for the Qagnaw troops that fought in Korea, a situation that brought the Ethiopian soldiers into close contact with their American counterparts. **American military influence was most evident in the fields of training and equipment.** US military aid in the period between 1946 and 1972 came to over 180 million US dollar. Over 2,500 Ethiopians underwent diverse forms of military training in the United States between 1953 and 1968. The jet aircraft, anti-tank and anti-aircraft weapons, naval craft, infantry weapons and sometimes even the uniforms were of American origin. **In both equipment and training, the air force remained the most prestigious** show-piece of American military aid in Ethiopia. It was also reputedly the **most modern and efficient unit** of the armed forces.
- The Americans left their stamp on **civil aviation** as well as on the air force. In **1945**, the Ethiopian delegation attending the **founding conference of the United Nations** approached the Americans for assistance in setting up a civilian airline. In the same year, **an agreement was concluded between the Ethiopian government and the Transcontinental and Western Airline (TWA), setting up Ethiopian Air Lines (EAL).** **The agreement lasted three decades,** with TWA providing the **managerial and supervisory personnel for most of that period.** Beginning with five C-47 aircraft (veterans of World War II), of which three were soon converted to the passenger version, the DC-3, EAL entered the jet age in 1962. The issue of **Ethiopianization** dominated the

history of the airline, with the Americans trying to delay its realization for as long as possible. But the airline managed to achieve self-sufficiency in flying, technical and administrative personnel by the end of the period under study. **The first Ethiopian general manager (Colonel Semret Medhane) was appointed in 1971.** Its international network was marked not only by a pioneering route to **Beijing** in 1973, but also the transcontinental air service, which cut the umbilical cord that had tied colony and ex-colony to the metropolis, and which, symbolically, was inaugurated in 1960, the year of African independence.

- **Improvement of surface transport** was likewise a product of the Ethio-American connection. In 1941, the road network for which the Italians were so famous was a shambles, *having been destroyed* in large part, as a result of the battles of the Liberation campaign. **Restoration of the network** thus became one of the main issues that preoccupied the post-Liberation regime. As in many other spheres, the **British were not co-operative** in this regard. Inevitably, therefore the Ethiopian government turned to the Americans for support. **In January 1951, the Imperial Highway Authority (IHA) was brought into existence**, and entrusted with the task of maintaining and developing the country's road network. The IHA was modeled after the US Bureau of Public Roads. Its **managerial personnel** were all seconded from the American organization until Ethiopians took the management in 1962. **Loans for its new construction** undertaking also came from the American-dominated International Bank for Reconstruction and Development (IBRD), which continued to exercise a preponderant influence over the IHA.
- **Although telecommunications came to be a Swedish preserve, stimulus for setting up an independent authority came from Americans.** The beginnings of telecommunications in Ethiopia back to the days of Menilek. In addition to the **domestic network** which had played a not inconsiderable role in facilitating political control, Ethiopia was linked to the outside world via **two major international lines**: one linked the capital with **Djibouti** via Harar, and other with **Massawa** via Asmara. The opening of **radio communication** on the eve of the Italo-Ethiopian war of 1935 gave Ethiopia measure of independence in this sphere. As in surface communications, the years immediately after **1941** confronted the Ethiopian government with almost overwhelming difficulties of maintaining

telecommunication service. Transmitters secured under the lease agreement facilitated radio communication between the major towns. A contractual arrangement was also made with the **American multinational International Telephone and Telegraph (ITT)** organization, to repair destroyed telephone lines. Finally, in 1950, a survey under the auspices of IBRD recommended the creation of **Imperial Board of Telecommunications**, which was duly established in **1952**.

- **Banking** was perhaps one modern institution. Post-Liberation banking had its antecedents in the **British-controlled Bank of Abyssinia** and the **state-controlled Bank** of Ethiopia. During Italian Occupation, a number of metropolitan banks (**Banco de Roma, Banco de Napoli, etc.**) opened branches in Ethiopia. In the **State Bank of Ethiopia** was established, and continued to as both commercial bank and central bank of the country until when new legislation set up the **Commercial Bank of Ethiopia** and **National Bank** for the two respective functions. In the same year, a **private bank** named the **Addis Ababa Bank** was founded, and rose to become an energetic rival to the state-sponsored Commercial Bank in the subsequent decade. The **Agricultural and Industrial Development Bank** (formed in 1970 through the merger of the **Development Bank** and the **Investment Corporation**) and the **Savings and Mortgage Corporation** (founded in **1965**) completed the pre-Revolution banking scene.
- Finally, **the Americans exerted a clearly preponderant influence in the field of education.** The educational system of the country was conducted along more or less **American lines**, if we may make an **exception** of the few elite schools which served as the last centres of **British** and **French** educational influence. The United States became the chief destination of young Ethiopians seeking higher education. American agencies such as **Point Four, USAID**, the African American Institute and the African Graduate Fellowship Program (**AFGRAD**) became the main source of scholarships. In the national university itself, the enrolment and evaluation 'system was indistinguishable -and still is, for that matter -from that of a standard American college. At the administrative level, the vice-presidential post appeared to have been regarded as a slot reserved for American nationals. In the high schools, the advent of the Peace Corps Volunteers in the 1960s presented a serious challenge to the dominant role that Indian teachers then enjoyed.

The preponderance of Americans in almost all aspects of Ethiopian life bred **resentment**, especially among the students, who viewed the whole situation as being within the global framework of **American imperialism**. **Anti-Americanism** grew particularly strong in the late 1960s and early 1970s. As it happened, this was also the time when the United States was pursuing a **policy of disengagement from Ethiopia**. Advances in satellite communication were rendering obsolete the Qagnew station on which the Ethio-American alliance had been predicated. The **pro-Western shift in Egyptian** policy initiated by President Anwar Sadat must also have diminished the value of Ethiopia for American strategy in the Middle East. Thus, on the eve of its demise, the Haile-Selassie regime began to lose its most powerful and steadfast ally.

2.3. Development policies (1957-1974)

The imperial government of Haile Selassie, **was the first government** to exercise different development policies as Ethiopia is **the first African state to attempt economic development planning**. But the plans determined only general trends and likely development rates as they gave an extremely generalized allocation to particular sectors of the economy. During this time three five-year plans and one draft were prepared for the development of the economy with different targets and areas of priorities. They were:

The First Five Year Development Plan (1957-1961)

The plan laid heavy emphasis on building up the country's **infrastructure**. Priorities in investment were given to **transport, communication and energy**; **service, post and education** also got considerable support. **Agriculture in general was at the lowest end of the scale of priorities**. It was believed, though without solid evidence, **that growth in food production had kept slightly above population growth in the first half of the 1950s, and was expected to do the same in the plan period without much support**. The main stumbling block here was that peasant agriculture was an unknown quantity since no serious attempt had been made to conduct field survey and to collect useful information. Some support was offered in the area of coffee production and livestock breeding with the aim of improving the country's foreign earnings (Desalegn, 2009, 50).

In each of the three Plans, the agricultural sector received the least investment in comparison with other major sectors. In the First place it received 8, in the Second 17 and in the Third 11 percent of total investment allocations. **The lion share in all case went to transport, communications, energy and utilities.** The **manufacturing** sector fared much better in relative terms, receiving investment allocation of 11, 22 and 20 percent respectively in each of the plans (Ibid).

The Second Five Year Development Plan (1963-67)

According to Desalegn R., this plan was **distinctive** because it was here that the decisive turn in **favor of agricultural modernization** was made (2009, 50-51). The shift away from **smallholder** agriculture and in favor of **mechanization** was to be the guiding doctrine for the next decade. The argument at the time was that ‘**Modernization**’ was necessary to achieve higher rate of growth; but *modernization was also seen as providing a strong stimulus to peasant agriculture*. The modern sector of agriculture was to be responsible for producing **industrial crops**, but was also to serve as the center for the “**demonstration and dissemination**” of efficient method of farming to the peasantry. *The goals for peasant agriculture remained modest, namely, to increase cereal production for domestic consumption, and to improve production of exportable commodities such as coffee and livestock*. Of the total monetary investment earmarked for agriculture in the plan period, the **peasant sector received only 10 percent, commercial agriculture 53 percent, and manpower and resource inventory the rest**. Moreover, *agriculture as a whole received less investment allocation than each of the major economic sectors, although in relative terms the investment allocation to it was higher than in the previous plan*. Here, the “**propulsive sectors**”, as they were called, were identified as **mining, manufacturing and power**.

Agricultural modernization originated and came to be strongly endorsed by policy makers in the period was under the influence of **US advisors** who were involved in a variety of programs which later shaped government thinking. As the early staff reports of Haromaya or “Alemaya” reflects a strong bias in favor of mechanization and large-scale enterprises, and of American methods of farming management. USAID in the 1960s , SRI (1969) and the WB proved it as an

effective strategy and a “sound approach to development”, and later recommending greater investment in mechanization and modernization (Ibid, 51).

Third Five Year Development Plan (1968-74)

Third Five-Year Development plan was, perhaps, **the most sophisticated** planning exercise conducted up to that time, which Desalegn R., believes even compares fairly well with any of the plans or strategies prepared since then in terms of its logic, depth, and coverage (2009). Third Five-Year Development plan was, the last plan to be implemented in the period, **was significant for two main reasons**. *First*, partly as a result of the strong donor support it had received, partly due to some successes in the plantation and agro-industrial schemes in the Awash Valley, the plan enthusiastically endorsed **commercial agriculture**. **Modernization** was seen as the catalyst that would accelerate agricultural growth, which in turn would rapidly improve the country’s export performance: it was also felt that commercial agriculture’s impact on the economy as a whole would be immediate and effective. The case for mechanization was strengthening as pessimism about peasant agriculture reached a high point in the late 1960s. As in previous plans, **agriculture received the lowest investment allocation** relative to the other major sectors, but once again the distribution of investment **within agriculture itself** was heavily weighted in favor of *commercial farms* which received 58 percent of development allocations and the *peasant sector* only 10 percent. *Secondly*, the plan made concessions to the peasant sector, and approved a program of extended support to small-holder production; this came to be known as *the package program*, and considered first of the comprehensive or integrated package approach, and later of the minimum package service. This being the strategy, two main approaches for the development of Ethiopia agriculture were indicated in the third five-year plan. These were **the package program** and the **development of large-scale commercial farms**:

➤ **The Package Program**

The package program followed the policy of concentrating development efforts in a given area so as to bring the required changes in agriculture. The practice was to be limited **to specific areas** since the modernization of peasant subsistence farms in all areas of the country simultaneously was assumed that it would lead to the dilution of efforts and scarce resources. In accordance with this, the implementation of the program was started in strategically selected areas where good results were expected in a relatively short period of time. At first the package

program took the form of a Comprehensive Package Program (CPP), and later the Minimum Package Program followed.

- **The Comprehensive Package Program**

The CPP aimed at achieving **maximum result by focusing on specific high potential areas** such as Chilalo, Wollaita, Ada District, Tahtay Adyabo, Hadegti and Humera and established agricultural development units for each of them. This program had the following objectives to: increase the income of small holder farmers and tenants and narrow the prevailing income disparities in the rural areas; achieve economic and social development; enhance local participation in development; increase employment opportunities; and stress on research, training, and transferability.

- **The Minimum Package Program (MPP)**

The comprehensive package projects were found too costly to be duplicated in other parts of the country. It was thus decided to launch a scheme which was thought to be less costly per farmer. Thus, in 1972 the minimum package program (MPP) involving only those **minimum services** considered critical for rural development (mainly **fertilizer** and **credit**) started to be implemented along **all-weather roads**. The MPP was envisaged to reduce the cost of developing the agricultural sector that in comparison to the CPP **a much wider coverage** could be attained. **Tentative** programs were made for the establishment of about ten projects in selected high response areas each year for thirteen year. According to the program; by 1985 it was estimated that one million families or about 20 percent of the total would be reached.

The MPP was designed to cover 440 woredas out of the 550 woredas of the country and this was to cover about 70 percent of the agricultural population. For the implementation of MPP, the Extension and Project Implementation Department (EPID) was established. To achieve the objectives, the diffusion of a few proved methods and innovations including improved seeds, fertilizers and farm implements as widely as possible was envisaged to reach the small farmers in various parts of the country.

However, due to shortages of manpower, improved seeds and fertilizers, the MPP was not able to achieve its objective of coverage of wider areas and the cost of the MPP was not as low as it was envisaged landless and semi-landless rural population. As a result of these, agricultural production did not increase as much as anticipated was not increased and the standard of living

of the majority did not improve. In fact the programs demonstrated that rural development policy based on feudal land holding arrangements would tend to worsen the conditions of the low-income target population.

- **The Development of Large Scale Commercial Farms**

The objectives in establishing large-scale commercial farms were to achieve **rapid gains in output** both to domestic consumption and the availability of surpluses for investment, to get an increase in agricultural exports or substitution for imports, to create new employment opportunities. This was because of the fact that such farms require big investment which was not available from internal sources; the implementation of the strategy necessitated a heavy dependence on foreign capital. To attract foreign investment a number of incentives were provided including: Exemption from income tax (**tax holiday**) for five years for investments of br. 200,000 and above; **exemption from customs duty**; and **remittance** of profits and salaries in hard currency.

As a result, a number of large-scale commercial farms, mainly **owned by foreigners**, such as the **Wonji Sugar Enterprise**, the **Setit Humera Plantation**, and the **Tendaho Plantation** were quickly established. But due to misguided incentives, capital dependent operations and outflow capital the large farms did not live up to the expectations of the country. The third five-year plan largely followed and coincided with the strategy of what has been known as the **Green Revolution (1960s-70s)** and which had its own success story in raising agricultural production tremendously in (e.g., **India, Pakistan**, and **other** Asian countries). However, it could not minimize the income gap (in fact it is believed to have increased it) and benefits were not fairly distributed (many areas were not included in the program).

The most dramatic reveal of government thinking on agricultural development occurred, *first*, quietly and tentatively in **1971**, then boldly and aggressively in 1973, at the time when the **Fourth Five Year Development Plan** was being drafted. In a short paper in 1971, the planners broached/drafted the idea of **reversing the order of priorities according to the modern and peasant sectors of agriculture**. The document went as far as to suggest the small-holder agriculture be given as much support as large-scale agriculture. The **re-ordering** of priorities was placed on development agenda among policy planers that the goal of development should be not merely quantitative growth but must also involve the **improvement of living standards** and

the **equitable** distribution of wealth. The objective of the new plan (which was not completed) was to ensure “that the benefits of social and economic development are ever **more equitably distributed among the population**”. The most important policy innovation with regard to the strategy of agricultural development was to be **twofold**: (Desalegn R., 2009, 52-53).

- (a) There was to be greater emphasis on the development of **small-holder agriculture**; commercial agriculture was relegated to a less significant status; and
- (b) An **integrated rural development programs** was to be set up in the framework of *awraja*¹ self-administration. The legislation for local administration at the *awraja* level was approved in **1966** though no practical steps were taken to set up the necessary institutions.

The idea of **integrated rural-development** came first from **ILO** which had been asked to advise the government on projects for rural employment, and which strongly recommended integrated rural development schemes as a solution to rural unemployment. ILO’s argument was simple, and it is estimated that the **rural-urban force** would grow by a high rate, and rural unemployment would soar even if employment opportunities were opened up rapidly in the modern sector of the economy. This was strongly argued by saying that, the reduction of “rural unemployment by agricultural development rather than by the development of manufacturing in urban centers has become a prime policy objective in most developing countries”. Rural development programs through **minimum package service**, promote **local participation** by integrating themselves with **peasant self-help schemes**, and enable the development of local resources. Planners argued that, small farmers “utilize their cropped areas more intensively and frequently realize higher yield per hectare” than large-scale farmers (Ibid, 54).

According to Desalegn R. (2009), the master strategy for invigorating smallholder agriculture was to be integrated rural development, which was to consist of four broad programs:

- (a) **Spreading the seed-fertilizer technology** through the accelerated expansion of MPP
- (b) **Mass adult education** aimed at extending literacy/numeracy, and agricultural and vocational training

¹ During the imperial regime, the country was divided in to three administration units: province, *awraja* (sub-province), and *woreda* (district). The *mikitil woreda* (sub-district) was in use in the 1950s and 1960s but abolished latter.

(c) **Labour intensive rural public works** to develop infrastructure, and provide rural employment

(d) Expansion of **basic health services** to the peasantry.

The new policy *was not only strongly peasant oriented but also sought to 'penalize' commercial agriculture*. In the period, *two main types of agricultural strategies* were pursued in the subsistence sector: *first*, production of **food-grains**; *second* consisted of a **national program of agricultural modernization**. In addition to the strategies which were focused on the subsistence sector, government policy in the 1960s was also committed to the promotion of **commercial agriculture**. The overall assessment of the agricultural strategies implemented between 1967 and 1975 shows that their impact on the whole had been extremely limited.

The Regional Projects of Food-Grain Production

Among many agricultural projects (Desalegn R., called, the *package programs*²) the world over which have attracted wide spread attention is the **Chilalo Agricultural Development Project of Ethiopia (CADU)** supported by the Swedish International Development Agency (SIDA). A matter which may not have been as widely recognized is that Ethiopia had initiated a number of somewhat similar projects in different parts of the country. Among these, the relatively important ones were the **Welaita Agricultural Development Unit (WADU)** and the **Adaa District Development Project (ADDP)**. There were also other such projects which were planned or at least partially implemented. These included **the Tach Adyabo and Hadgiti Development Unit (TAHDU)** and **the Southern Regional Development Project (SORADEP)**. Little is known about these projects however. Mention should also be made of the **Humera Agricultural Development Project** which, in addition to the production of sesame mainly for the export market also promoted the production of sorghum. This project was, however, dominated by commercial producers, mainly of the "*weekend-farmer*" variety (Fasil G.Kiros, 1993, 79). According to Desalegn R. (2009, 55), besides several low profile and integrated programs run by government in different parts of the country, the comprehensive package projects were designed on the following main objectives:

² The comprehensive package approach refers to large, multi-purpose and integrated development operations such as CADU (started in 1967), and WADU (set up in 1970 with IDA/World Bank assistance), ADDP (1972), TAHADU in Tigray and SORADEP.

- a) To provide peasants easy access to modern inputs;
- b) To promote better farming techniques and farm implements;
- c) To organize peasants into cooperatives enabling them better access to credit;
- d) To expand normal extension services;
- e) To improve marketing facilities and prices for peasant produce;
- f) To build rural public works such as feeder roads, water projects and environmental protection schemes.

The discussion of the following paragraphs is limited to CADU, WADU and ADDP which were primarily directed to the promotion of production among the subsistence food-grain Producers.

The Chilalo Agricultural Development Project

CADU is **the most successful** of all the comprehensive programs (Desalegn R., 2009, 55). CADU is commonly described as a "**comprehensive agricultural development project**." It was a project which was said to have been inspired by, if not necessarily fashioned after, the well-known experiments on integrated rural development of **Comilla in Bangladesh**. Chilalo Awraja or Sub-region of Arsi was selected as a project site, among other reasons, because of its relative accessibility, particularly with reference to the major urban market which was Addis Ababa itself. The project, it must be emphasized, was, however, designed on the basis of relatively broad objectives. The **objectives** included:

- (i) the achievement of economic and social development throughout the project area;
- (ii) the continued finding of suitable methods for bringing about agricultural development in Ethiopia when applied in an integrated manner; and
- (iii) The creation of possibilities for the application elsewhere in Ethiopia of the experiences gained by CADU.

The objectives were pursued on the basis of a number of activities which were carried out during two phases of the project covering the periods 1967-1970 and 1970-1975. Among the main project activities were: (Fasil G.Kiros, 1993, 80).

- (a) Agricultural researches, the dissemination of "innovations" such as "improved" seeds and fertilizer,
- (b) The provision of credit and marketing services.

(c) The activities also included the training of project personnel, the construction of feeder-roads, as well as water supply and afforestation programs.

Areas of Failures:

According to Desalegn R., the program was on the whole success but just how successful it was remains the bone of contention. The project benefits in terms of income and productivity improvements. There is a strong evidence that, the number of overall beneficiaries grew considerably over the years reaching its peak in the mid-1970s, and that a good deal of rural infrastructure was constructed in the area (2009, 55-56).

- I. CADU **failed to promote innovative farming practices** that were not dependent on costly modern inputs. Its effort to popularize new technical equipment like the moldboard plough, the harrow and the ox-cart was by and large unsuccessful. But the most serious failure of the project lay in the **social consequences** of its activities in Chilalo (Ibid, 57).
- II. **The main beneficiaries were the more prosperous peasants** and those with scarce tenure arrangements. The poor and a majority of the tenant benefited the least.
- III. Considerable **peasant evictions** from the land took place in the area particularly in the period when CADU was most active and when its programs were beginning to pay off.
- IV. The package of innovations offered to the participating peasantry was **highly dependent on external economies**, and consequently, from a cost-benefit point of view that was achieved would not in the long run be worth the cost or sustainable.

Welaita Agricultural Development Unit (WADU)

It is a well-known regional project next to CADU, and came in to being in 1970 and was similar to CADU in a number of respects. The most notable differences were the fact that WADU placed **special emphasis on population resettlement** and that it was relatively **less comprehensive in scope**. Fasil G. Kiros, (1993, 81). The location of WADU, Welaita, is a Sub-Region of Shewa Administrative Region, which is noted for the **high density of its Population**. A **resettlement** activity was, therefore, introduced as an important component of the WADU project in order to ameliorate the problem of high population density. In addition to the resettlement program, the

other main components of WADU included the development and diffusion of **yield-increasing inputs, provision of credit to the peasants and the marketing of agricultural produce** (Ibid). In the area of the main activity of WADU during 1970-1974, less than 750 new households were **resettled** (in addition to the reorganization of settlement plots for some 700 households which were already settled). The actual plan was to resettle 1,050 new households during this period. (Ibid).

WADU also largely depended on CADU and other research centers for inputs such as improved seeds. It is estimated that over 6,000 peasants were reached by 1975 with the package of WADU's yield-increasing inputs. Yields of the main crops in the area, such as **maize, wheat and teff** were reported to have risen as a result of the application of the new package of inputs. Through its marketing services, WADU was able to facilitate the sale of some of the additional produce of the peasantry. (Ibid, 82).

Adaa District Development Project (ADDP)

The project was initiated in 1972-73. It should be recognized that Adaa is an area well-known for the production of **teff**, which is an extremely important staple in Ethiopia, particularly in the urban centers. The District is located in the range of 50 to 60 kilometers south-east of Addis Ababa, a city so heavily dependent on the consumption of teff. Although other factors have no doubt been taken into account in the selection of this area for government investment, the **proximity** of the District to the major urban market was certainly a key consideration. (Ibid, 82).

The main components of ADDP included the development and diffusion of a package of **yield increasing inputs**, and the provision of **credit** as well as marketing **services** to the peasants in the area. The achievements of ADDP in all these areas have not been well documented. However, as we shall see below, the overall impact of the project was probably very limited. (Ibid, 82).

The National Scheme of Agricultural Modernization

It is, however, pertinent to note here that the most important lesson which was learned from the implementation of the regional projects was learned quite early from the experience of CADU. It was concluded that **CADU was too costly** a project and hence beyond any possibility of being replicated economically in other regions. It was, therefore, decided that **what was needed in the**

circumstances of Ethiopia was not more comprehensive projects such as CADU, but rather minimum-package programs (MPP) which could be applied to peasant agriculture throughout the country. Thus, this latter strategy was initiated in 1971. Two phases of MPP were implemented, the first covering the period 1971-1974, and the second the period 1980-85, having been delayed mainly due to the revolutionary changes taking place in the country (Fasil G. Kiros, (1993, 82).

The MPP, in principle, was supposed to share some of the basic objectives of the comprehensive projects. However, in practice its activities were centered on the **dissemination of a "few proven innovations"** developed by adaptive research in the comprehensive project areas or at research centers. The main components of the **MPP package were fertilizer and "improved" seeds**. It should be noted that the MPP did not replace the existing regional projects. These latter continued to operate in their respective regions while the MPP functioned in some of the areas not covered by them. However, as we shall see, the activities of both the regional projects and the national scheme of agricultural modernization were significantly altered in the aftermath of the revolution (Ibid).

Industrial Sector In The Three Successive Five Year Plans:- (1941-74

Introduction

The period of 1941-74 represents both **continuity** and **change** with respect to the structure of the Ethiopian economy. This can be best grasped by examining the first three-quarters of the twentieth century in **three phases: from the beginning of the century to the Italian invasion of 1936; the period of Italian occupation; and finally the period from 1941-74.**

In the period of **Italian occupation (1936-41)** registered some industrial advance but not as significant as is usually believed. This was only partly because it was **short-lived**. More importantly, it was because of the basic strategic interest of Italy in Ethiopia. The Italians were essentially not interested in promoting autonomous industrial development in Ethiopia; their interest was rather to create a **colonial economy** on the basis of large-scale agricultural farms. The only manufacturing enterprises that they set up, and this *largely in Eritrea*, were small-scale factories producing **consumer goods** such as soap and textiles. In fact, from the perspective of long-term industrial development, **the most enduring contribution of this period is not the**

setting up of these enterprises but the construction of over 6,000 km of roads (Eshetu C., 2011, 26).

It is thus no wonder that the structure of the Ethiopian economy in **1941 was essentially little different from what it was in the pre-occupation period**. One can go even further and argue that, in one sense, the post-war period hardly represents a radical break with the periods preceding it, particularly with respect to the magnitude and role of the industrial sector. If **industrialization is understood as a transformation in the structure of output and employment**, it is difficult to speak of our period as having witnessed such a transformation. For even at the end of this period agriculture loomed large in the structure of output, and even more in the structure of employment. It is in this sense that we can speak of the post-war period as representing continuity with the past. Yet, it would be highly misleading to suggest that little of importance was achieved in this period as far as the country's industrial development is concerned. In fact, it is generally recognized that whatever measures of industrialization Ethiopia can claim owes its genesis to the post-war era. As will be shown later, the country's industrial development was bound to be fragile because of a large number of inherent limitations. However, to the extent that we can talk of industrialization at all, we can do so legitimately only of the post-1941 era (Ibid). In dealing with this era, we run into the familiar problem of historical periodization³. The historian, depending on the major focus of investigation, can divide the period between the restoration and the revolution in so many different ways. For our purposes, however, the practical criterion of convenience will suffice. We have accordingly divided the 1941-74 periods as follows.

- *Phase 1: 1941-52*. This period of **restoration and reconstruction**.
- *Phase 2: 1953-61*. The origins of **Ethiopian industrialization**. The terminal year is chosen because it coincides with the completion of the First Five Year Plan⁴.

³ There are overlaps in the historical periods, a situation made unavoidable by the form in which data were available. Although there were periodization problem, such historical overlaps may not affect the discussion and conclusion one way or the other.

⁴ Strictly speaking, the First Five Year Plan was not concluded in 1961 but in 1962, as it had to be extended to the end of the Ethiopian fiscal year. But, this is a fact of minor importance.

- *Phase 3: 1962-74.* This is the period of the Second and the Third Five Year Plans and perhaps the **most eventful phase for industrialization**. It takes us up to the fall of the old order.

2.1.1 Phase 1: 1941-52. This period of Restoration and Reconstruction:

It is useful to begin the account of this period with a review of the situation that Emperor Haile Sillassie encountered upon restoration. Politically, the situation was far from auspicious/favorable conditions for at least **two reasons**: *First*, there were **problems of internal security**. Large areas of Ethiopia's south and south-west remained disaffected and outside of Addis Ababa's authority; London controlled the Ogaden and various reserved areas; there was a trouble in the North; and the imperial army was thoroughly dependent, as was the emperor, on a small British military mission for supplies and leadership. *Second*, and related to this, the British imposed on the emperor "**a master-client relationship**", Emperor's return was a bitter-sweet moment: he was neither authoritative nor apparent sovereign" due to this reason that even as late as the end of 1943 "**Ethiopia was for all practical purposes a British protectorate**" (Marcus 1983 and Addis H. 1975, cited in Eshetu C., 2011, 27).

In these circumstances, therefore, Haile Sillassie's major preoccupations were to reclaim full **sovereignty for Ethiopia** and consolidate his rule by centralizing and modernizing the government. These concerns were bound to influence the substance of his economic policies. On the economic front, the situation was somewhat mixed (state bank of Ethiopia 1949b cited in Eshetu C., 2011, 27). *One*: lines of communication had been destroyed as a result of the operations. The traditional trade channels of Ethiopia had been dislocated by five years of enemy occupation during which the economy of the country had been distorted in order to meet the exigencies of the fascist regime. *Second*: new trade connections were established by Allies, designed to provide for the imperative needs of the outside world, still at war. The exportation of important commodities was monopolized and, generally speaking, exports and imports were subjected to control by allied authorities. The monetary situation of Ethiopia was no less confused. **Three different kinds of currency** were in use, namely, the **Italian Lira**, the **East African Shilling** and the **Maria Theresa Thaler**; particularly the British East African Shilling was made the official monetary unit. **It is significant that Ethiopia was not to have its own currency until 1945.**

Further, and as pointed out earlier, the Italian legacy was not much in terms of providing leverage for economic development. The Italians initiated over a thousand industrial establishments during the period of occupation, but only a few had been completed at the time of their withdrawal from the country. Many were designed to serve specific Italian needs, and only a handful represents permanent value of the country. At the same time, however, the Italian period was not without its **positive effects** for industrial development (Lipsky 1962 cited in Eshetu C., 2011, 28).

The fascist government introduced money wages, and encouraged production of food crops to satisfy settler requirements. A proto-consuming society more or less emerged, particularly among those who had collaborated with the Italians in government and commerce. While traditional demands for cottons, salt, kerosene and the like strengthened, new needs appeared for tools, machinery, technical equipment, trucks, spare parts, and petroleum products. When emperor and his followers returned, they found a familiar but more complex, larger, and better organized economy to exploit for the satisfaction of high wartime demand for Ethiopia's produce (Marcus 1983 cited in Eshetu C., 2011, 28).

After several agreements made between Britain and Ethiopia⁵, **the Britain influence went decline with hand in hand growth of relations between Ethiopia and United States**. In June of that year by the request of the Ethiopian government a United States technical mission to be sent to Ethiopia to investigate the country's resource and to draw up an aid package for its development. It is noteworthy that no experts in industry were included. Unfortunately, the mission's effort did not bear much fruit. According to Marcus (1983) cited in Eshetu C., (2011, 30), the US planners saw Ethiopia's major problems as **“(1) repairing and maintaining the Italian-built communications network”; (2) building modern social, educational, and economic infrastructure, and (3) increasing agricultural production and industrial output”**.

With respect to industrial development, the **recommendation** was for implementing a strategy of what one would have called **import substitution**. In such circumstances, therefore, it is hardly surprising that no significant level of industrial activity could commence in the immediate-war

⁵ The agreement (called “termination agreement” on ‘unwarranted restriction upon Ethiopia's economy and industry’ 25 august 1944, those of 24 August 1948 and 29 December 1954) gave legal form especially “a return of the reserved area to Ethiopian administration in fact and in law”.

period⁶. Faced with enormous tasks of economic restriction and development on the one hand, and meager domestic resources and niggardly foreign assistance on the other, the government had little scope for bold initiatives in the area of industrial development, even assuming it had the requisite for to embark on such initiatives.

Phase 2: 1953-61. The origins of Ethiopian industrialization:

If any period deserves to be designated as having represented the commencement of industrialization in Ethiopia, that period is without doubt 1953-61. Writing in 1967, a World Bank mission noted that, of the manufacturing establishments in existence at the time, more than 60% were established after 1957. For convenience, we will divide this period into two: 1953-57 and 1958-61.

2.1.1.1 1953-57

The period 1953-57 was one of significant development in manufacturing industry. The manufacturing production (excluding Eritrea) rose from 163 to 308, corroborating the gross value of industrial output nearly doubled; the net value increased by 2.5 times; at the same time industrial employment increased by 40%. In general economic terms, however, the period seems to have been characterized by ups and downs. **Thus, while 1953 was called “a good year for Ethiopia”, “in sharp contrast, 1954 was a disappointment, since Brazilian coffee glutted the market”** (Marcus 1983 cited in Eshetu C., 2011, 34). These enterprises were entirely engaged in the production of **consumer goods** for domestic consumption, the most prominent of which were beverages, timber, oil, soap, textiles and flour.

2.1.1.2 1957-61: The First Five-Year Plan

The significance of the next phase is that for the first time in Ethiopian history we witness an attempt to consciously plan the course of economic development. **Although the First Five Year Plan (FFYP) was launched in 1957, it was actually prepared in 1954-55 with the help of Yugoslav experts.** The decision to plan as well as the involvement of Yugoslav in the drawing up of the plan had nothing whatsoever to do with ideology. It was rather dictated by purely pragmatic considerations. To appreciate this fact one must take a quick glance at the general

⁶ The only industrial undertaking of this period was the setting up of the Cotton Company of Dire Dawa in 1943.

Ethiopian socio-economic setting of the time. Even though there was a measure of involvement of Ethiopian capital in trade and other services, there was virtually no indigenous participation in the field of industry. The FFYP, after stating the importance of capital mobilization and noting that “commercial capital, which is of exceptional importance in the present phase of the country’s economic development, is predominantly of **foreign origin**”, the problem is all the more intensified by the fact that a national middle class has yet not developed to enter the field of commerce and invest capital in productive enterprises (FFYP cited in Eshetu C., 2011, 36).

As indicated in the FFYP, “in recent years about half of total investments were financed by government. This type of investment must undoubtedly play an increasingly important role in the country’s economic development” (Ibid). Manufactured industry in the FFYP was entirely anchored on the development of *light consumer goods* industries catering to the domestic market. The strategy was to be one of *import substitution*, based on light consumer goods, with a view to the domestic market and *with no export horizon* for manufactured goods. The manufacturing subsectors that were given the highest priorities were textiles and food processing, accounting for nearly 70% of the planned investment in manufacturing, the rationale being “very favorable natural and market conditions for these two industrial branches which have the most favorable prospects for development” (FFYP cited in Eshetu C., 2011, 36).

2.1.2 Phase 3: 1962-74 The period of the Second and the Third Five Year Plans

This period is perhaps the **most eventful phase for industrialization**. It takes us up to the fall of the old order. Two more five-year plans: the Second Five-Year Plan (SFYP) and the Third Five-Year Plan (TFYP), were launched between 1963 and 1973. During this period the government extended the incentives to attract investors and continued to strengthen its presence in economic activities by making **direct investment in manufacturing**. The driving philosophy of the industrial policy in the imperial period was in favor of **market and private sector** but sought gaps whereby the government should play a role including direct ownership in selected sectors. **In practice, the incentive structure was biased towards import-substituting, larger, capital-intensive, and foreign-dominated industrial activities** (Mulu Gebreeyesus (n.d), 5).

According to a World Bank (1985) cited in Mulu Gebreeyesus (n.d) report, the implementation of these initiatives attracted foreign investors and gave boost to the manufacturing sector in Ethiopia. However by the end of the plan period, the overall industrial base of the country remained weak and was characterized by a **dual structure** – a rudimentary small-scale and handicraft sub-sector and a modern medium-large-scale sub-sector, each contributing about half of the manufacturing value added. In this period, the modern medium- and large-scale manufacturing sector, which employs ten or more people and use power-driven machinery (hereafter, **MLSM**) **created no more than 60,000 jobs in total and it was predominantly foreign owned.**

According to Eshetu C., this period was destined to be a most eventful one in Ethiopian history. Beyond the political undertakings, in the economic field, the planning effort continued, and before the end of the period two more five-year plans were to see the light of day, **with a fourth already in the wings when the *ancient regime* collapsed** (2011, 39). Planning or no planning, however, economic growth tended to be sluggish and uneven, largely on account of an agrarian framework that was generally considered being an impediment to development, including industrial development. **A major departure of this phase was the emergence and rather brisk development of commercial agriculture, which was, however, destined to be short-lived.** In manufacturing industry, ownership and management continued to be concentrated in **foreign hands** as whatever indigenous capital existed largely found outlets in trade and housing. The rates of growth of manufacturing during this period were consistently faster than those recorded for agriculture. But **the country's industrial base remained low and its capacity to generate employment unimpressive.**

Industrial policy (1962-74)

In discussing industrial development during this period an important point to underscore is the central and steadily increasing **role played by the government.** This took the forms of actual government investment in manufacturing, providing mechanisms for the financing of industrial investment by **private enterprises**, and creating an environment of **incentives to attract private capital into manufacturing.** With respect to direct government investment, the Third- Five Year

Plan (henceforth TFYP) identified **three broad areas for government involvement**: (TFYP cited in Eshetu C. 2011, 40)

- a) **Basic manufacturing enterprises**: which are particularly important to the overall growth of the economy, and to the ability of the industrial sector to meet the objectives of the plan;
- b) **Commercial manufacturing enterprises**: essentially of the type that attract private investment and also considered particularly important for the growth of the economy, and for the ability of the industrial sector to meet the objectives of the plan; after ascertaining ‘within a reasonable period’ that private investment is not forthcoming;
- c) **Small factory manufacturing enterprises**: which face initial capital problems, and which, by providing seed beds for the development of Ethiopian entrepreneurship and management justifying government investment.

Accordingly, 60% of investment planned for manufacturing was expected to come from public sources. With respect to industrial financing, the government created a variety of financial institutions to **promote lending to private investors**; first the **Development Bank** and then the **Investment Corporation**, which were **later merged** to form the **agricultural and industrial Development Bank**. The extensive role of government in manufacturing may in part be seen as a corollary of the **shortage of private capital**. But the government went to great lengths to attract capital, especially of foreign extraction. Subsequently, an Investment Decree was issued in 1963, followed by a more elaborate **Investment Proclamation in 1966**. The highlights of the 1966 law, which were to apply to agricultural, industrial, mining, transport and tourist enterprises, included provisions for the following incentives:

- a) **Relief from payment of income tax for five years** for investment of no less than E\$200,000;
- b) **Relief from payment of import duties** on agricultural and industrial machines as well as on building and construction materials;
- c) **Relief from payment of export duties and transaction tax** on exported manufactured goods;
- d) **Tariff protection for infant industries**; and
- e) Generous **provisions for remittance of profits**.

As a study by Stanford Research Institute (SRI, 1968) cited in Eshetu C. (2011, 41), the incentives provided to the foreign investors were **liberal**: “the investment climate of Ethiopia may generally be viewed as favorable in terms of those conditions of importance to potential investors. The Imperial Ethiopian Government (IEG) considers increased investment of foreign and domestic private capital vital to the growth and development of the country’s economy and welcomes foreign private investment. Its policy toward stimulating domestic and foreign investment **is supported by liberal investment incentives**”. Thus, “although the IEG has taken steps to attract private investment, the potential foreign investor is left largely on his own to determine the opportunities that exist, the incentives that are available and the procedural rules that must be followed. There is no government agency in Ethiopia whose function is to assist the investor with respect to these problems” (Ibid).

2.1.2.1 Industrialization during The Second Five Year Plan Period

The achievements of the FFYP with respect to industrialization were modest and fell short of targets. In the SFYP, there is a summary of the FFYP development of manufactured industry in two important facts: *first*, the industry has begun to penetrate the structure of national economy, and *second*, that the economy was not yet sufficiently penetrated by industrialization. It is concluded, therefore, that as Ethiopia was entering the 1960s, it was doing so with a weak industrial basis. This **weakness** manifested itself in the **size and structure of manufacturing** sector, in its capacity to generate **employment**, and in its **low level of technology**. It is against this background that the Second-Five Year Plan was launched (Eshetu C. 2011, 39).

In the period, it is interesting to note that actual manufacturing output fell short of target in spite of the fact that investment in this sector had overshoot the plan figure to reach E\$80 million. The official explanation given was that “**several industrial projects of great importance to the national economy were started but not completed during the period**” and that “**many industrial projects which had been foreseen by the plan were not erected due to various reasons**” significantly, those that were not started at all were the metal, chemical and leather industries. In fact, the share of food processing and textiles had risen to more than 80%. Although, “building material and other non-metallic mineral products showed a visible increase” we are told that “other branches which existed at the beginning of the planned period increased

rather slowly” and that “few new commodities have been added to the previous production” (SFYP cited in Eshetu C. 2011, 39).

2.1.2.1.1 The Second Five-Year Plan and its Achievements

The SFYP gave priority to the **development of agriculture** (essentially **commercial agriculture**), **manufacturing** and **transport**, whose relative shares of planned investment were 20.9%, 18.9% and 16.8% respectively. Within manufacturing, which was allotted a total investment of E\$318,465, first priority was given to **chemicals (30.3%)** followed by food and **beverages (23.6%)**, **steel and metals (16%)**, and **textiles (10.2%)**. The relative change of emphasis between textiles on the one hand, and steel and metals on the other, is interesting. No less interesting is the projected financing of these investments. **Sixty-two percent of the investment in manufacturing was expected to be financed from abroad**, the rationale being given that “big and expensive industrial projects will be built with a predominant participation of equipment which must nearly all be imported”. Whatever the logic, one observes **growing dependence** of the manufacturing sector on foreign capital, in both intent and practice. With respect to employment, not one of the strongest aspects of the manufacturing sector, the SFYP anticipated that jobs in this sector would increase by 30,000 during the five year period, raising the employment figure to 57,900 by 1967 (SFYP cited in Eshetu C. 2011, 42). Of the planned increase, almost one-third was expected to be accounted for by the textile industry. These were the intentions, **but the achievements, on the whole, fell short of target. Although output grew at the respectable annual rate of 16%, it was far too little compared to the planned rate of 27%.** Actual investment (E\$306 million) was also short of that intended (E\$318). **The only thing we are told about employment is that it “increased at a slightly faster rate than that expected in the plan, if the agricultural workers on the sugar estates are included”** (TFYP cited in Eshetu C. 2011, 42).

In concluding our review of the record for the period, we note that there were a number of positive developments in manufacturing: growth in output, investment, employment and exports. However, in terms of structural change, both within manufacturing and with respect to the role of manufacturing in the economy, there was no departure. In other words, **there were changes, but these changes cumulatively did not have enough impact to alter the nature of the manufacturing sector and the character of the Ethiopian economy** (Eshetu C. 2011, 44).

2.1.2.2 Industrialization during the Third Five Year Plan Period⁷

The **major departure** of the TFYP was that it recognized in more explicit form than ever before the crucial role of **agriculture in Ethiopia's development**. In particular, **it gave considerable emphasis to commercial agriculture, on the assumption that its development would be a spur both to peasant agriculture and to the non-agricultural sectors. Gross output in manufacturing at current price was expected to double** (from E\$350 million to E\$700million) or to grow at an annual rate of 14.9%, while value added was expected to rise from E\$140million to E\$280million during the plan period. Most of the growth was expected from the **traditional industries**, namely, **“food processing, textiles, and to some extent, leather and shoe-making industries”**. But this did not deter the planners from once again talking about structural change: “the pattern of industrialization of Ethiopia is expected to undergo a change during the third plan period. **Steel and metal products, leather and shoes, and chemicals will record large increase in production and emerge as major industries. Electrical industries will make a good start** and substantially meet consumer demand for many products. It seem that they were not sobered by **the contradictions between their vision of structural change, on one hand, and the stubborn reality of a manufacturing sector that had constantly failed to register it, on the other** (TFYP cited in Eshetu C. 2011, 44).

The plan also **anticipated a rapid increase in exports of manufactures; at current prices these were expected to rise** from E\$23million in 1968 to E\$60million in 1973, the items on which hope was placed being meat and meat products, and leather and shoes. The planned investment for manufacturing was E\$515million, of which E\$350million, or 68%, was expected to be financed from external sources. **It is remarkable how, in the face of a disappointing inflow of foreign capital into the manufacturing sector, the government persisted in its hope of attracting resources from abroad.** Employment in manufactured (both permanent and seasonal) was

⁷ The TFYP was to cover the period 1968-73. However, during the course of its implementation (in 1971), “the government decided to extend the period of the plan by one year and to revise most plan targets downward. The principal reasons given for the revisions were that the economy had been adversely affected by the closure of the Suez Canal and the fall of coffee prices, and that more time was needed to implement planned policy measures and institutional reforms” (World Bank 1975 cited in Eshetu C. 2011, 56). In other words, the TFYP period was extended to fiscal year 1973/74, which takes us more or less to the end of our period. Therefore, even if not strictly accurate, in our discussion the TFYP period and 1966-74 are taken as roughly coterminous.

expected to rise from 66,000 in 1968 to 110,000 in 1997, it being anticipated that by 1973 the **dominant sub-sector** would be **textiles** (31%), **food** (21%), and **leather and shoes** (15%). A notable departure that **non-metallic mineral** products were expected to account for 9% of manufacturing employment (Ibid, 44-45).

These were the salient components of the TFYP as far as manufacturing is concerned. We note, to begin with, that the aggregate performance of the economy left much to be desired:

The Ethiopian economy has continued to grow very slowly from a low per capita income base. The overall growth rate of the economy during the TFYP period was **disappointing** both in terms of the TFYP targets, which were recognized as overly optimistic, and **in comparison with the moderate growth rate during the First and Second Plan Periods**.

The growth rates of all major sectors were lower than forecast in the plan. Second, the **growth rate of GDP fell** even further in the last three years despite an export boom from 1972-1974 (World Bank 1975 cited in Eshetu C., 2011, 45).

Of the **factors** that accounted for this state of affairs, the major one were the **drought of 1973, inadequate domestic resource mobilization and a lower than expected inflow of external resources leading to a low investment effort**, and a “**failure to introduce badly needed institutional reforms**”, especially in the area of land tenure. **As the World Bank concludes, “recent economic trends have done little to change the poverty and underdevelopment of the Ethiopian economy” (Ibid).**

The manufacturing sector was obviously affected by this state of affairs. One observes a tendency for the pace of industrial growth of slacken during this period. **Gross value of manufacturing output rose but with relative decrease in its growth rate** below the previous record (World Bank 1975 cited in Eshetu C., 2011, 45). Between 1968-69 and 1973-74, **employment in manufacturing rose** from 47, 332 to 57,320, an average annual increase of less than 2,000, which again compares **unfavorably** with the record for 1961-65. It also compares unfavorably with the growth in output. Thus, while real manufacturing output grew by only 4.2%. Growth in employment therefore **lagged considerably behind** growth in output, demonstrating the very weak capacity of the manufacturing sector to create jobs (Eshetu C., 2011, 45).

Even more disappointing was the record of investment in manufacturing from E\$62.4million in 1968-69, investment in this sector declined steadily in 1971-72, reaching its **lowest level in ten years**. There was a significant recovery in 1972-73, only to be followed by a decline in the following year. The disappointing performance of the manufacturing sector was due to a wide variety of **factors**, including the **sorry performance of agriculture**, with its attendant consequences on the growth of income and resource mobilization, and **the limited room left for further import substitution in consumer goods** (Ibid, 47). The disappointing performance has also been attributed to **high internal transport costs**, to unforeseen consequences on international transport costs **following the closure of the Suez Canal**, and to an **uncertain investment climate for foreign capital**. Few large industrial investments were undertaken during the TFYP period; most investment in the sector was for expansion of existing firms. The shortfall in industrial investment can be partly attributed to the lower –than-anticipated inflow of foreign capital for manufacturing (only half the amount forecast in the plan), but the initial investment target was undoubtedly over-ambitious and there was also shortfalls in domestic investment by both the public and the private sectors (World Bank 1975 cited in Eshetu C., 2011, 47).

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